



INDUSTRY CIRCULAR

DEPARTMENT OF
THE TREASURY

Bureau of Alcohol, Tobacco and Firearms

Washington, D. C. 20226

Number: 85-14

Date: October 16, 1985

DISTILLED SPIRITS TAX INCREASE AND THE EFFECT ON MNBP CLAIMANTS

Manufacturers of Non-Beverage Products and Others Concerned

Purpose. This Industry Circular is issued to advise manufacturers of non-beverage products of certain provisions of Public Law 98-369 and its impact on their bond coverage and recordkeeping requirements.

Background. Public Law 98-369, entitled the Deficit Reduction Act of 1984, was enacted on July 18, 1984. Section 27 of this Act increased the rate of tax on distilled spirits by \$2.00 from \$10.50 to \$12.50 per proof gallon. This tax increase is effective on October 1, 1985.

Effect on Bond Coverage. Manufacturers who have notified the Regional Director (Compliance) and filed a bond may file claims on a monthly instead of a quarterly basis. If not in the maximum penal sum, ATF Form 5530.3 (Bond for Drawback Under 26 U.S.C. 5131, formerly Form 1730) will need to be reviewed by these manufacturers to determine whether a superseding or strengthening bond will be required to cover any increased tax liability due to the increased tax rate. Unless the bond is in the maximum penal sum, you are cautioned that when the limit of liability under a bond has been reached, no further drawback on monthly claims will be allowed until prior charges against the bond have been satisfied.

Recordkeeping Requirements for MNBP Claimants. All manufacturers of non-beverage products filing claims for drawback are reminded that records must be maintained, per 27 CFR 197.109(b), documenting that distilled spirits on which drawback is claimed were fully taxpaid or tax-determined at the distilled spirits tax rate. For claims filed after October 1, 1985, these records should show the rate of tax paid on those distilled spirits. In addition, supporting product batch records should show whether the distilled spirits used in the product were taxpaid at the old or new tax rate.

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Inquiries. Questions concerning this Industry Circular should be addressed to the appropriate Regional Director (Compliance) for the ATF region in which your business is located.

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Director

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